

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
CIEP-01 LAB-04 SIL-01 OMB-01 SSM-03 L-03 STR-04 CEA-01
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E.O. 11652: NA
TAGS: ECON EG
SUBJ: ECONOMIC POLICY MAKERS CONTINUE INTENSE ACTIVITY

1. DURING PERIOD DEC. 31 TO JAN. 3 CAIRO PESS NOTED
SEVERAL POTENTIALLY IMPORTANT ECONOMIC DEVELOPMENTS WHICH
ARE REPORTED BELOW. IT SHOULD BE NOTED THAT IN
MOST CASES STORIES REPRESENT PRELIMINARY DECISIONS
WHICH WILL HAVE TO RECEIVE EITHER PRESIDENTIAL APPROVAL
OR PEOPLES ASSEMBLY (PA) SUBSCRIPTION BEFORE BEING
IMPLEMENTED. THEY ARE, HOWEVER, INDICATIVE OF ATMOSPHERE
OF SUBSTANTIAL ACTIVITY WHICH IS BEING CREATED BY NEW
GOE ECONOMIC TEAM. REPORTED DEVELOPMENTS APPEAR TO
REPRESENT DETERMINED GOE EFFORT TO MEET CRITICISMS
OF GOVERNMENT ECONOMIC POLICY AND AT SAME TIME REASSURE
PUBLIC THAT THEIR INTERESTS ARE UPPER MOST IN POLICY-
MAKER'S MINDS.

2. ON DECEMBER 31, AL-AHRAM REVEALED THAT PRIME
MINISTER HAD RECEIVED LETTER FROM IMF CHAIRMAN WITTVEEN
(PROBABLY SAME MENTIONED CAIRO 18019) SETTING OUT
MEASURES TO BE TAKEN BY EGYPT IN DECREASING "FINANCIAL
DEFICIT", RESTORING ECONOMIC EQUILIBRIUM AND AMENDING
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INVESTMENT LAW TO INCREASE FLOW OF FOREIGN CAPITAL
INTO EGYPT. PM'S OFFICE HAD TOLD AL-AHRAM THAT
THESE WERE MEASURES DISCUSSED DURING JUST-COMPLETED
VISIT BY JOHN GUNTER AND THAT THEY ARE STILL UNDER
CONSIDERATION BY GOE. SOURCE REITERATED PM'S PLEDGE
THAT GOE ACTIONS TO CORRECT ECONOMY WOULD BE TOUGH
BUT THAT GOVERNMENT WOULD BE SURE THAT LOW

INCOME GROUP DOES NOT SUFFER.

3. ON JANUARY 2, FINANCE MINISTER SALAH HAMID ANNOUNCED HE WAS GOING TO SUBMIT FOR COMMENT NEW DRAFT CUSTOMS REGULATIONS TO CHAMBER OF COMMERCE, FEDERATION OF INDUSTRIES, AND PROFESSIONAL UNIONS AS STEP TOWARD INTRODUCING NECESSARY AMENDMENTS TO CUSTOMS LAW TO P.A. HAMID EXPLAINED THAT MOVES AIM AT CONSOLIDATING OPEN DOOR POLICY AND SIMPLIFYING CUSTOMS PROCEDURES. NEW PROVISIONS DESCRIBED INCLUDE:

- A. EXEMPTING PUBLICATIONS, OFFICE STATIONARY, MODELS AND SAMPLES, PLUS GIFTS NOT FOR SALE SENT BY HEADQUARTERS OF AIRLINE AND MARITIME NAVIGATION COMPANIES TO BRANCHES IN EGYPT, PROVIDED RECIPROCAL TREATMENT IS GRANTED TO EGYPTIAN COMPANIES ABROAD.
- B. EXEMPTING GOODS TO BE IMPORTED UNDER COMMERCIAL TRANSACTIONS WHICH PROVIDE FOR EXPORTING LOCAL GOODS OF SAME VALUE AND QUALITY. DECREE IS TO BE ISSUED SPECIFYING THESE GOODS IN EACH CASE BY FINANCE MINISTER IN AGREEMENT WITH CONCERNED MINISTER.
- C. EXEMPTING GIFTS, GRANTS AND SAMPLES RECEIVED BY ALL GOVERNMENT AUTHORITIES, PUBLIC ORGANIZATIONS, AND LOCAL COUNCILS INSTEAD OF ISSUING INDIVIDUAL DECISIONS BY FINANCE MINISTER.
- D. ABOLISHING FINES IN CASES OF PRESENTATION OF ERRONEOUS INFORMATION WITH REGARD TO VALUE OF GOODS AS LONG AS GOODS ARE STILL UNDER CONSIDERATION BY CUSTOMS AND SUBJECT TO THEIR INSPECTORS.

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ON JANUARY 3, MINISTRY OF ECONOMY SOURCES TOLD AL-GUMHURUYA THAT NEW EGYPTIAN COMPANIES WOULD BE EXEMPTED FROM TAXES TO ENCOURAGE PRIVATE SECTOR INVESTMENT. REPORTEDLY PRODUCTION REQUIREMENTS FOR SUCH COMPANIES WOULD BE EXEMPTED FROM CUSTOMS DUTIES. ACCORDING SAME SOURCES, PRIVATE SECTOR WILL BE ALLOCATED LE 250 MILLION IN 1977 DEVELOPMENT BUDGET TO ENCOURAGE INVESTMENT. (HIGHER PLANNING COUNCIL SCHEDULED MEET JANUARY 3 REPORTEDLY TO PUT FINISHING TOUCHES ON DEVELOPMENT PLAN FOR 1977).

4. DURING SAME PERIOD TRADE MINISTER ZAHARIYYA TEWFIQ ANNOUNCED THAT ECONOMIC MINISTERS HAVE BEEN STUDYING APPLICATION OF INCENTIVE RATE TO IMPORTATION OF ALL COMMODITIES. MINISTERS NOW STUDYING HOW TO DEAL WITH COSTS INVOLVED. TEWFIQ INDICATED THAT WIDENING OF COMMODITIES TO BE HANDLED IN PARALLEL MARKET DEFINITELY IS BEING CONTEMPLATED.

6. EARLIER, PRESIDENT SADAT REPORTEDLY HAD ASKED
MINTRANSPORT AND TELECOMMUNICATIONS ABD AL-HAQQ TO EXPEDITE
WEST GERMAN LOAN FOR TELEPHONE EQUIPEMENT EXTENDED DURING
PRESIDEN'S VISIT TO BONN LAST APRIL, THUS PUBLICIZING
GOVERNMENT EFFORTS TO ALLEVIATE ONE OF EGYPT'S WORST
PROBLEMS.

7 COMMENT: WHILE ON FACE THESE ACTIVITIES MAY APPEAR ROUTINE
ENOUGH, THEY REPRESENT AS CONCERTED A GROUP EFFORT ON UPPER
GOE LEVELS TO COPE CREDIBLY WITH CERTAIN OF COUNTRY'S
ECONOMIC PROBLEMS AS WE HAVE SEEN IN MANY MONTHS. ACTIVE
APPROACH TO NEEDED CHANGES IN POLICY SPHERE, IF SUSTAINED, COULD
AUGUR WELL FOR
NEW YEAR.
EILTS

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